



Financial Statements

June 30, 2021 and 2020



Independent Auditors' Report

**Board of Directors
MoCA Westport, Inc.
Westport, Connecticut**

Report on the Financial Statements

We have audited the accompanying financial statements of MoCA Westport, Inc. (the "Center"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2021 and 2020, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies, LLP

November 1, 2022
Shelton, Connecticut

MoCA WESTPORT, INC.

Statements of Financial Position

	June 30,	
	2021	2020
ASSETS		
Current Assets		
Cash	\$ 164,120	\$ 87,122
Current portion of promises to give	100,360	-
Investment in marketable securities	449,702	-
Merchandise and beverage inventory	11,658	6,003
Prepaid expenses	1,480	22,772
Total Current Assets	727,320	115,897
Promises to give, net of current portion	387,727	-
Investment in marketable securities	1,150,559	955,810
Equipment and leasehold improvements, net	556,821	553,002
Other asset	10,000	10,000
Total Assets	<u>\$ 2,832,427</u>	<u>\$ 1,634,709</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 76,072	\$ 95,771
Deferred revenue	12,957	-
Total Current Liabilities	89,029	95,771
Long-term debt	272,657	137,500
Deferred rent	35,420	10,494
Total Liabilities	<u>397,106</u>	<u>243,765</u>
NET ASSETS		
Without donor restrictions	537,282	227,139
With donor restrictions	1,898,039	1,163,805
Total Net Assets	<u>2,435,321</u>	<u>1,390,944</u>
	<u>\$ 2,832,427</u>	<u>\$ 1,634,709</u>

See notes to financial statements

MoCA WESTPORT, INC.

Statements of Activities and Changes in Net Assets

	Year Ended June 30, 2021			Year Ended June 30, 2020		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
SUPPORT, GAINS AND REVENUE						
Membership dues	\$ 29,605	\$ -	\$ 29,605	\$ 32,900	\$ -	\$ 32,900
Donations, contributions and grants	813,340	589,928	1,403,268	369,147	49,500	418,647
Program revenues	439,929	-	439,929	118,556	-	118,556
Government grants	109,582	3,750	113,332	-	-	-
Merchandise and other sales	14,244	-	14,244	12,236	-	12,236
Gain on forgiveness of Paycheck Protection Program Loans	137,500	-	137,500	-	-	-
Dividend and interest income	488	11,938	12,426	23,509	-	23,509
Net realized and unrealized gains on investments	3,635	228,425	232,060	10,593	73,685	84,278
Net assets released from restriction	99,807	(99,807)	-	684,893	(684,893)	-
Total Support, Gains and Revenue	<u>1,648,130</u>	<u>734,234</u>	<u>2,382,364</u>	<u>1,251,834</u>	<u>(561,708)</u>	<u>690,126</u>
EXPENSES						
Program services						
Visual Arts	379,188	-	379,188	407,750	-	407,750
Concert Series	229,153	-	229,153	162,459	-	162,459
Education	337,438	-	337,438	224,728	-	224,728
Total Program Services	945,779	-	945,779	794,937	-	794,937
Supporting services						
Management and general	256,101	-	256,101	308,833	-	308,833
Fundraising	136,107	-	136,107	236,082	-	236,082
Total Expenses	<u>1,337,987</u>	<u>-</u>	<u>1,337,987</u>	<u>1,339,852</u>	<u>-</u>	<u>1,339,852</u>
Change in Net Assets	<u>310,143</u>	<u>734,234</u>	<u>1,044,377</u>	<u>(88,018)</u>	<u>(561,708)</u>	<u>(649,726)</u>
Net Assets, beginning	<u>227,139</u>	<u>1,163,805</u>	<u>1,390,944</u>	<u>315,157</u>	<u>1,725,513</u>	<u>2,040,670</u>
Net Assets, ending	<u>\$ 537,282</u>	<u>\$ 1,898,039</u>	<u>\$ 2,435,321</u>	<u>\$ 227,139</u>	<u>\$ 1,163,805</u>	<u>\$ 1,390,944</u>

See notes to financial statements

MoCA WESTPORT, INC.

Statement of Functional Expenses

Year Ended June 30, 2021

	Program Services			Total Program Services	Supporting Services		Total
	Visual Arts	Concert and Heida	Education		Management and General	Fundraising	
Salaries and employee benefits	\$ 107,989	\$ 63,329	\$ 245,106	\$ 416,424	\$ 174,218	\$ 106,235	\$ 696,877
Rent, utilities and maintenance	83,713	-	12,185	95,898	11,348	4,372	111,618
Office and other administrative	17,702	24,535	31,648	73,885	27,986	9,740	111,611
Insurance	11,120	1,762	1,762	14,644	2,643	881	18,168
Marketing and development	23,154	17,325	6,999	47,478	7,130	12,846	67,454
Professional fees	1,200	1,200	1,200	3,600	15,575	600	19,775
Catering and accomodation	1,668	12,074	-	13,742	320	1,433	15,495
Supplies, equipment and installation	66,337	32,724	21,091	120,152	4,159	-	124,311
Travel, transportation and storage	7,879	-	-	7,879	-	-	7,879
Instruction fees, awards and curation	6,828	72,764	10,567	90,159	-	-	90,159
Cost of gift shop items sold	-	-	-	-	5,843	-	5,843
Depreciation	51,598	3,440	6,880	61,918	6,879	-	68,797
	<u>\$ 379,188</u>	<u>\$ 229,153</u>	<u>\$ 337,438</u>	<u>\$ 945,779</u>	<u>\$ 256,101</u>	<u>\$ 136,107</u>	<u>\$ 1,337,987</u>

See notes to financial statements

MoCA WESTPORT, INC.

Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services				Supporting Services		
	Visual Arts	Concert and Heida	Education	Total Program Services	Management and General	Fundraising	Total
Salaries and employee benefits	\$ 84,114	\$ 50,157	\$ 133,300	\$ 267,571	\$ 228,792	\$ 128,864	\$ 625,227
Rent, utilities and maintenance	91,901	-	13,479	105,380	12,254	4,901	122,535
Office and other administrative	22,486	10,712	21,695	54,893	20,331	30,464	105,688
Insurance	11,557	692	1,729	13,978	1,383	1,383	16,744
Marketing and development	31,668	17,901	16,415	65,984	10,448	31,123	107,555
Professional fees	12,672	5,069	12,672	30,413	25,000	12,238	67,651
Catering and accomodation	7,930	2,387	3,863	14,180	-	24,980	39,160
Entertainment and performance fees	2,676	-	1,500	4,176	-	-	4,176
Supplies, equipment and installation	85,711	236	4,959	90,906	-	-	90,906
Travel, transportation and storage	2,969	-	-	2,969	-	-	2,969
Instruction fees, awards and curation	14,145	75,305	9,261	98,711	-	-	98,711
Cost of gift shop items sold	-	-	-	-	5,302	-	5,302
Depreciation	39,921	-	5,855	45,776	5,323	2,129	53,228
	<u>\$ 407,750</u>	<u>\$ 162,459</u>	<u>\$ 224,728</u>	<u>\$ 794,937</u>	<u>\$ 308,833</u>	<u>\$ 236,082</u>	<u>\$ 1,339,852</u>

See notes to financial statements

MoCA WESTPORT, INC.

Statements of Cash Flows

	Year Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,044,377	\$ (649,726)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	68,797	53,228
Deferred rent	24,926	494
Realized and unrealized gains on investments	(232,060)	(84,278)
Donated securities and other assets	(63,695)	(58,794)
Gain on Forgiveness of Paycheck Protection Program loan	(137,500)	-
Changes in operating assets and liabilities		
Promises to give	(488,087)	51,180
Inventory	(5,655)	(6,003)
Prepaid expenses	21,292	(22,772)
Accounts payable and accrued expenses	(19,699)	12,220
Deferred revenue	12,957	-
Net Cash from Operating Activities	<u>225,653</u>	<u>(704,451)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(64,848)	(499,209)
Proceeds from sale of investments	849,387	1,601,252
Purchases of investments	(1,205,851)	(672,826)
Net Cash from Investing Activities	<u>(421,312)</u>	<u>429,217</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable, bank	<u>272,657</u>	<u>137,500</u>
Net Cash from Investing Activities	<u>272,657</u>	<u>137,500</u>
Net Change in Cash	76,998	(137,734)
CASH		
Cash, beginning	<u>87,122</u>	<u>224,856</u>
Cash, ending	<u>\$ 164,120</u>	<u>\$ 87,122</u>

See notes to financial statements

MoCA WESTPORT, INC.

Notes to Financial Statements
June 30, 2021 and 2020

1. Organization

Nature of Operations

MoCA Westport, Inc. (the “Center”), presents cultural and educational activities and programs to promote participation in and appreciation of the arts by citizens of the community at large. In furtherance thereto, the Center communicates regularly with approximately 6,200 households via bi-monthly email communication.

The basic programs of the Center include contemporary art exhibits, seminars and lectures, chamber and jazz concerts, films, and arts education and outreach programs. Program expenses include the direct costs specifically associated with the programs.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Center’s financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Estimates and Assumptions

Management uses estimates and assumptions in preparing these financial statements in conformity with U.S. GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could vary from those estimates used.

Change in Accounting Principle

Effective July 1, 2020, the Center adopted new U.S. GAAP revenue recognition guidance which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The new revenue recognition guidance does not apply to how contributions and pledges are recognized, as they are specifically scoped out of the new guidance. The core principle of the new guidance is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers. The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. In addition, this guidance requires new or expanded disclosures related to judgements made by entities when following this framework. The Center adopted the ASU on a modified retrospective basis. The adoption of the ASU had no impact on the Center results of operations or cash flows.

MoCA WESTPORT, INC.

Notes to Financial Statements
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (*continued*)

Cash

The Center maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts. The Center believes it is not exposed to any significant credit risk on cash.

Cash equivalents held for investment purposes are classified as investments for financial statement purposes.

Promises to Give

Promises to give are recorded in accordance with ASC 958-605, "*Not for Profit Entities, Revenue Recognition*", which requires an organization to record such promises as revenue at fair value when the promise is deemed to be unconditional. Accordingly, conditional promises to give are recognized as revenue only when the conditions on which they depend are substantially met and the promises become unconditional, or the contributions are received. Promises to give are recorded at net realizable value if expected to be collected within one year, and at net present value discounted at an appropriate discount rate, commensurate with the risks involved, if expected to be collected beyond one year. Amortization of discounts is recorded as revenue in accordance with donor-imposed restrictions, if any, on the promise to give. As of June 30, 2021, unconditional promises to give are classified as both net assets without donor restriction and with donor restriction. There were no promises to give at June 30, 2020.

The Center continuously monitors the creditworthiness of donors and establishes, when appropriate, an allowance for amounts that may become uncollectible in the future based on current economic trends, historical payment and bad debt write-off experience, and any specific donor related collection issues. Balances that remain outstanding after management used reasonable collection efforts are written off through a change to the valuation allowance in accounts receivable. There was no allowance for doubtful accounts at June 30, 2021 or 2020.

Investment in Marketable Securities

Dividend and interest income, gains or losses are reflected in the statement of activities. Investment income is considered unrestricted unless restricted by donor stipulation or law.

Investments are recorded at fair value and include both funds without restriction and donor restricted endowment funds which are classified as net assets with donor restrictions (see Note 7).

MoCA WESTPORT, INC.

Notes to Financial Statements
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (*continued*)

Investment in Marketable Securities (continued)

Estimated fair value is based on the criteria outlined in Financial Accounting Standards Board Accounting Standards Codification No. 820 (ASC 820) “*Fair Value Measurement and Disclosures*”. ASC 820 establishes a fair value hierarchy that prioritizes the assumptions used in valuation techniques to measure fair value. This hierarchy consists of three broad levels. The three levels of fair value hierarchy under ASC 820 are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities;

Level 2 – Quoted prices in active markets for similar assets and liabilities or quoted prices in less active dealer or broker markets;

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and are unobservable.

Property and Equipment

Property and equipment are recorded at cost or donated value. The cost of property and equipment purchased in excess of \$1,000 is capitalized. Equipment and leasehold improvements are stated at cost (fair value at date of contribution for donated assets) and are depreciated using the straight-line method over the estimated useful life of the related assets. Leasehold improvements are amortized over the lesser of the estimated useful life or lease term. When property and equipment is retired, or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation, and any resulting gain or loss recognized. Expenditures of repairs and maintenance are charged to expense as incurred.

Deferred Revenue

Deferred revenue consists of funds that have been received from donors and participants for programs services to be held in the future, which will be recognized as revenue over the period the underlying program services are provided. There was no deferred revenue at June 30, 2020.

Net Assets

Net assets of the Entity are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets without Donor Restriction – Net assets without donor restriction represent available resources for use at the discretion of the Board of Directors (Board) and/or management for general operating purposes. As of June 30, 2021, the Board has not designated any funds for specific purposes.

MoCA WESTPORT, INC.

Notes to Financial Statements
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies *(continued)*

Net Assets with Donor Restriction – Net assets with donor restriction consist of assets whose use is limited by donor imposed time and/or purpose restrictions.

Earnings related to restricted net assets will be included in net assets without donor restrictions unless otherwise specifically required to be included in donor restricted net assets by the donor or by applicable state law.

Contributions and Government Grants

The Center recognizes contributions when cash, securities or other assets: an unconditional promise to give; or a notification of a beneficial interest is received. Conditional contributions – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Grants from federal, state and other sources are recognized as revenue when the related expenditures are incurred or revenue otherwise earned.

Contributions are reported as revenue without donor restrictions or revenues with donor restrictions. When a donor restriction expires, that is, when the stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified in the statement of activities to net assets without donor restrictions.

Program Revenues

The Center has multiple program revenue streams including summer camp fees, educational classes, concert and visual arts program fees.

Summer Camp and Education Classes

The Center provides summer camp and educational classes to children within the community. Tuition and summer camp income is recorded as earned for each summer and class periods within the fiscal year. Summer camp fees that are billed and paid in advance are deferred and recognized as income over the period the services are provided. Approximately \$244,000 and \$14,600 of these program revenues were recognized over a period of time for the years ended June 30, 2021 and 2020, respectively.

Concert and Visual Arts Program Admissions

The Center hosts various concerts and visual arts programs for which admissions are charged. The Center recognizes revenue from ticket sales and admissions at a point in time the concert event is held or when the customer is admitted, which is typically simultaneously. Income. Approximately \$195,900 and \$104,000 of these program revenues were recognized at a point in time for the years ended June 30, 2021 and 2020, respectively.

Gift Shop and Beverage Sales

Gift shop sales are recognized at the point of sale or upon shipment via common carrier on sales that are made online. Beverage sales are recognized at the point of sale.

MoCA WESTPORT, INC.

Notes to Financial Statements
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Revenue from admissions, membership, concessions, gift shop, summer camp, and education programs could be impacted by the overall economic conditions present in Connecticut.

Donated Materials and Services

Donated services are recognized as contributions in accordance with Financial Accounting Standards Board Accounting Standards Codification No. 958-605 (ASC 958-605) "*Not For Profit Entities, Revenue Recognition*", if the services create or enhance non-financial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center (see Note 8).

Donated property and the use of equipment and facilities are recorded as support and expenses at fair market value when determinable, otherwise at values indicated by the donor.

While many members and individuals volunteer their time and perform a variety of tasks that assist the Center, no amounts have been recognized in the accompanying financial statements for such services because the criteria for recognition of such volunteer efforts under ASC 958-605 have not been met.

Functional Expenses

The costs of providing programs and supporting activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents expenses by function and natural classification.

The Center allocates expenses on a functional basis among programs and support services. The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Expenses that benefit more than one function have been allocated using a base most appropriate to the particular cost: payroll costs for staff with responsibilities in multiple program areas are allocated bases on job function, time allocation and estimates made by management, occupancy costs are allocated based on square footage or head count, and other expenses are allocated either by head count or other methods.

Income Taxes

The Center is a not-for-profit, non-stock Connecticut corporation exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. It qualifies as a publicly supported organization and is, therefore, not a private foundation.

MoCA WESTPORT, INC.

Notes to Financial Statements
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies *(continued)*

Income Taxes (continued)

Management of the Center has evaluated all significant tax positions as required by accounting principles generally accepted in the United States of America and is of the opinion that the Center has not taken any material tax positions that would require the recording of any tax liability by the Center.

Generally, federal and state authorities may examine the Center's informational tax returns for three years from the date of filing. Consequently, income taxes prior to 2018 are no longer subject to examination by taxing authorities.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 1, 2022.

Subsequent to year end, the Center and its newly formed single member limited liability company MoCA Westport Holdings, LLC purchased the building which they currently lease for \$3,000,000. The purchase was funded with a \$2,000,000 mortgage and funds the Center raised through a capital campaign. The mortgage is payable in monthly installments of \$10,283 with interest at 3.75% due in full by August 1, 2048.

3. Promises to give

Included in support and revenue is a \$1,000,000 promise to give received during 2021, of which \$500,000 was received in 2021. The remaining promise to give is to be received in five annual installments of \$100,000 commencing on December 31, 2021. Fifty percent of the promise to give is without donor restriction and fifty percent is with donor restriction to be used to fund the presentation and storing of a visual arts exhibition.

Promises to give expected to be collected consist of the following at June 30:

	2021	2020
Receivables due in less than one year	\$ 100,360	\$ -
Receivables due in one to five years	400,000	-
Gross promises to give	500,360	-
Unamortized discount	(12,273)	-
	<u>\$ 488,087</u>	<u>\$ -</u>

MoCA WESTPORT, INC.

Notes to Financial Statements June 30, 2021 and 2020

3. Promises to give (continued):

The aforementioned promises to give have been included in the following net asset categories at June 30, 2021.

	2021	2020
With donor restriction	\$ 243,863	\$ -
Without donor restriction	244,224	-
	\$ 488,087	\$ -

For unconditional promises to give to be received over a period in excess of one year, a discount of 1.00% was applied.

4. Investments

The following summarizes the relationship between cost and market values of investments as presented in the financial statements as of June 30, 2021 and 2020:

	2021		2020	
	Market value	Cost basis	Market value	Cost basis
Nonendowment assets measured using Level 1 inputs				
Cash Equivalents	\$ 9,687	\$ 9,687	\$ -	\$ -
Marketable equity securities (Exchange Traded Funds)	440,015	433,805	-	-
Total	449,702	443,492	-	-
Held for endowment assets measured using Level 1 inputs				
Cash equivalents	25,882	25,882	11,688	11,688
Marketable equity securities (Exchange Traded Funds)	1,124,677	1,010,526	944,122	919,242
Total	1,150,559	1,036,408	955,810	930,930
Total	\$ 1,600,261	\$ 1,479,900	\$ 955,810	\$ 930,930

MoCA WESTPORT, INC.

Notes to Financial Statements
June 30, 2021 and 2020

5. Property and Equipment

	June 30,		Estimated Useful Lives
	2021	2020	
Furniture and fixtures	\$ 104,515	\$ 45,672	3-5 years
Leasehold improvements	574,332	560,558	3-15 years
	678,847	606,230	
Less accumulated depreciation and amortization	(122,026)	(53,228)	
	\$ 556,821	\$ 553,002	

6. Long-Term Debt

	June 30,	
	2021	2020
Note payable, Small Business Administration, payable in monthly installments of \$641, including interest at 2.75% commencing March 2023 through March 2053. The note is secured by substantially all assets of the Center.	\$ 150,000	\$ -
Paycheck Protection Program loan, 1%, monthly payments of principal and interest of \$2,878 starting in July 2022. (A)	122,657	-
Paycheck Protection Program loan, 1%, monthly payments of principal and interest of \$17,483 starting in September 2021. (A)	-	137,500
	272,657	137,500
Less current portion	-	(137,500)
	\$ 272,657	\$ -

Principal payments of long-term debt follow:

Year ending June 30:

2022	\$ -
2023	32,905
2024	37,186
2025	37,626
2026	26,540
Thereafter	138,400
	\$ 272,657

MoCA WESTPORT, INC.

Notes to Financial Statements
June 30, 2021 and 2020

6. Long-Term Debt *(continued)*

(A) Paycheck Protection Program

On April 30, 2020, the Center received loan proceeds in the amount of \$137,500 under the Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times their 2019 average monthly payroll expenses of the qualifying entity. The PPP loan bears an interest rate of 1% per annum. All or a portion of the PPP loan principal and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act as amended, over a period between eight to twenty four weeks (the "Covered Period"). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries above a certain threshold during the Covered Period and does not qualify for certain safe harbors. The Center received notification from the SBA on March 30, 2021 that its debt obligation had been alleviated and accordingly, the Center recognized the income as a gain on forgiveness of Paycheck Protection Program loans on the statement of activities as of June 30, 2021.

In February 2021, the Center received loan proceeds in the amount of \$122,657 under the Second Draw provisions of the PPP as authorized by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (the "Economic Aid Act"). The Second Draw provisions of the Economic Aid Act provide for loans to qualifying entities for amounts up to 2.5 times their 2019 or 2020 average monthly payroll expenses. The Second Draw PPP loan bears an interest rate of 1% per annum. All or a portion of the Second Draw PPP loan principal and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act, as amended by the Economic Aid Act, over a period between eight to twenty-four weeks from the date the Second Draw PPP loan proceeds are received (the "Second Draw Covered Period"). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries above a certain threshold during the Second Draw Covered Period and does not qualify for certain safe harbors.

As of June 30, 2021, the PPP loan is recognized as debt on the statement of financial position. The Center will recognize the income from forgiveness of the PPP loan when it receives the notification of forgiveness from the SBA in accordance with Accounting Standards Codification ("ASC") 470 debt. The Center received notification from the SBA on July 21, 2021 that its debt obligation had been alleviated and accordingly, the Center recognized the income as a gain on forgiveness of Paycheck Protection Program loans subsequent to year end.

MoCA WESTPORT, INC.

Notes to Financial Statements
June 30, 2021 and 2020

7. Endowment

The Center follows the provisions of Financial Accounting Standards Board Accounting Standards Codification No. 958-205-45-28 *Endowments of Not-for-Profit Organizations Classification of Donor-Restricted Endowment Funds Subject to the Uniform Prudent Management of Institutional Funds Act*. The Center's endowment includes donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act ("CTUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation the Center classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. As allowed for by the donor, the maximum of 5% of prior year-end principal balance of funds or investment income was used to fund current operations and specified programs.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Agency to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets and subsequent market appreciation will be reported as increases in unrestricted net assets to the extent losses were reported as decreases in unrestricted net assets.

Deficiencies of this nature exist in the donor-restricted endowment funds, which together had original and adjusted restricted gift value of \$1,391,874 and a current value of \$1,150,559 and a deficiency of \$241,315 as of June 30, 2021. At June 30, 2020, the original and adjusted restricted gift value was \$1,163,805 and a current value of \$955,810, and a deficiency of \$207,995. These deficiencies resulted from cash flow issues encountered by the Center, primarily due to Covid-19 and the cancellation of its annual fundraiser. This appropriation for certain programs and expenses was deemed prudent by the Board of Directors.

The Center has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets must be invested in a conservative manner. Further, two funds restrict the manner in which funds can be invested.

MoCA WESTPORT, INC.

Notes to Financial Statements
June 30, 2021 and 2020

7. Endowment (*continued*)

Endowment Funds

Chamber Music Fund

The Chamber Music Program of the Center was established by an initial contribution of \$52,045. Interest earned by the permanently restricted fund is to be used for the Chamber Music Program. In the event the Chamber Music Program is eliminated, the funds can be used at the discretion of the Center to annually memorialize the donors.

Artur and Heida Hermanns Holde Foundation Fund

The Fund was established in 2012 with approximately \$886,000 in restricted contributions. The contribution requires the Center to retain the underlying assets in an endowment. The endowment limits the investment of the assets to exclude the purchases of equities of companies which manufacture, sell or otherwise engage in the business of pharmaceutical drugs, alcoholic beverages or tobacco products or medically related businesses. The endowment limits the use of the resulting investment income to enhance the Center's classical music program and up to 50% annually for operating expenses. Income is defined as the greater of (i) interest, dividends, and other investment income of the Fund or (ii) a unitrust amount equal to 5% of the prior year-end principal balance of the Fund. In addition, the Center may use up to 20% of the underlying endowment assets to help fund a capital project no more than once every five years.

In the event (i) the Center's programs are ceased, (ii) the Center loses its tax exempt status, (iii) the Center is terminated or (iv) the Center uses more income/principal than is authorized, the Center shall transfer all of the Fund's then assets to the endowment of the Manhattan School of Music of New York, New York (School) provided the School agrees to accept and comply with respective conditions. If the School shall not exist or agree to the conditions, the Center is to designate a successor in the greater Norwalk/Wilton/Westport, Connecticut area that has programs primarily for the elderly of the area.

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Notes to Financial Statements
June 30, 2021 and 2020

7. Endowment (continued)

Endowment Funds (continued)

Heida Hermanns International Music Competition Fund

The Fund was established in 2012 with approximately \$264,000 in restricted contributions. The contribution requires the Center to retain the underlying assets in an endowment. The endowment limits the investment of the assets to exclude the purchase of equities of companies which manufacture, sell or otherwise engage in the business of pharmaceutical drugs, alcoholic beverages or tobacco products or mentally related businesses. The endowment limits the use of the resulting investment income to support the annual music competition. Income is defined as the greater of (i) interest, dividends and other investment income of the Fund or (ii) a unitrust amount equal to 5% of the prior year-end principal balance of the Fund. In the event (i) the program is ceased, (ii) the Center loses its tax exempt status, (iii) the Center is terminated or (iv) the Center uses more income/principal than is authorized, the Center shall transfer all of the Fund's then assets to the endowment of the Manhattan School of Music of New York, New York provided the School agrees to accept and comply with respective conditions. If the School shall not exist or agree to the conditions, the Center is to designate a successor in the greater Norwalk/Wilton/Westport, Connecticut area that has programs primarily for the elderly of the area.

Endowment funds with donor restriction net assets as of June 30, 2021 and 2020 are comprised of the following:

	2021	2020
Chamber Music Fund	\$ 52,045	\$ 52,045
Artur and Heida Hermanns Holde Foundation Fund	1,005,973	841,607
Heida Hermanns International Music Competition Fund	333,856	270,153
	<u>\$ 1,391,874</u>	<u>\$ 1,163,805</u>

Changes in endowment net assets for the year ended June 30 are as follows:

	2021	2020
Endowment net assets, beginning of year	\$ 1,163,805	\$ 1,163,268
Net realized and unrealized gains	217,365	73,685
Investment income, net	10,704	20,101
Reduction of principal for authorized expenditures	-	(93,249)
	<u>\$ 1,391,874</u>	<u>\$ 1,163,805</u>

The amount of endowment funds held in perpetuity is \$52,045 as of June 30, 2021 and 2020.

MoCA WESTPORT, INC.

Notes to Financial Statements
June 30, 2021 and 2020

8. Net Assets

Net assets with donor restrictions are restricted for the following purposes or periods as follows at June 30, 2021 and 2020:

	June 30,	
	2021	2020
Subject to expenditure for specified purpose or period:		
When Caged Birds Sing Exhibit	\$ 506,165	\$ -
Endowment subject to the Center's spending policy and appropriation:		
Donor-restricted endowments	\$ 1,391,874	\$ 1,163,805
Total Net Assets with Donor Restriction	\$ 1,898,039	\$ 1,163,805

Net assets released from restrictions are as follows for the fiscal year ended June 30, 2021 and 2020:

	2021	2020
Purpose or Restrictions Accomplished		
Visual arts	\$ 35,000	\$ -
Concert series and Heida music competition	30,665	96,954
Education	34,142	-
New facility construction/capital project	-	552,245
Operating expenses	-	35,694
Net Assets Released from Restrictions	\$ 99,807	\$ 684,893

9. Donated Property and Services

The Center has recorded the estimated fair market value of donated property and services for the year ended June 30, as follows:

	2021	2020
Included in support, gains and revenue		
Donated services and other	\$ 9,268	\$ 6,500
Included in furniture, fixtures and leasehold improvements		
Donated furniture	7,768	-
Included in functional expenses		
Donated program services	1,500	6,500

MoCA WESTPORT, INC.

Notes to Financial Statements
June 30, 2021 and 2020

10. Commitments

Leases

The Center leases office and gallery space under a noncancellable operating lease which expires in July 2035. The lease allows for a ten year extension option. The lease calls for escalating lease payments, which includes electric charges and taxes.

The lease calls for the landlord to pay \$130,000 over the first seven years of the lease. If the payments are not made by the landlord, the Center can reduce minimum rent payments by the unpaid amount. Rent expense for this lease will be recognized on a straight-line basis over the term of the lease. Deferred rent expense is reflected in the statement of financial position as a long-term liability.

The Center also leases office equipment through June 2024.

Rent expense was \$124,900 and \$126,900 for the Years Ended June 30, 2021 and 2020.

Future minimum lease payments are as follows:

<u>Year Ending June 30</u>	
2021	\$ 123,600
2022	120,700
2023	121,200
2024	121,400
2025	119,900
Thereafter	<u>1,137,800</u>
	<u>\$ 1,744,600</u>

11. Concentrations

The Center received support from one donor during 2021 representing 39% and one donor in 2020 representing 17% of total support, gains and revenue, respectively. Included in promises to give receivables was \$487,727 at June 30, 2021 from the one donor.

12. Supplemental Disclosure of Non-Cash Operating and Financing Activities

During 2021, the Center's first PPP loan of \$137,500 was fully forgiven by the SBA.

MoCA WESTPORT, INC.

Notes to Financial Statements
June 30, 2021 and 2020

13. Liquidity and Availability of Resources

The Center regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. The following table reflects the Center's financial assets that could readily be made available within one year of the statement of financial position date to meet general expenditures as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash	\$ 164,120	\$ 87,122
Investment in marketable securities	1,600,261	955,810
Current portion of contribution receivable and promises to give	<u>100,360</u>	<u>-</u>
Total Financial Assets Available within One Year	<u>1,864,741</u>	<u>1,042,932</u>
Less amounts unavailable for general expenditures within one year, due to:		
Restrictions by donors with time or purpose restriction	506,165	-
Restrictions by donors in perpetuity	<u>1,391,874</u>	<u>1,163,805</u>
Total Amounts Unavailable for General Expenditures within One Year	<u>1,898,039</u>	<u>1,163,805</u>
Total Financial Assets Available to Management for General Expenditures within One Year	<u>\$ (33,298)</u>	<u>\$ (120,873)</u>

As part of the Center's liquidity management policy, financial assets are structured to be available as its general expenditures, liabilities and other obligations come due. To manage liquidity during the years ended June 30, 2021 and 2020, the Center withdrew additional funds from the endowment fund above the spending policy of approximately \$33,000 and \$208,000, respectively. Additionally, the Center received PPP loans of \$137,500 and \$122,657 for the years ended June 30, 2021 and 2020, respectively.
